

**Grundy County 911
Emergency Communications District**

Audit Report

June 30, 2010

**Grundy County 911
Emergency Communications District
Audit Report
June 30, 2010**

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**Grundy County 911 Emergency
Communications District
Introductory Section - Unaudited
June 30, 2010**

Board Members

Don M. Hutcheson – Chairman, Director

Alan Joslyn – Vice Chairman, Director

Rusty Payne – Secretary, Treasurer

Virgil McNeese – Board Member

Brent Parsons – Board Member

Mike Birdwell – Board Member

Larry Davis – Board Member

Eric Northcutt – Board Member

Deryl Graham – Board Member

GRUNDY COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

My discussion and analysis of Grundy County 911 Emergency Communication District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. This should be read in conjunction with the District's financial statements, which begin on page 3.

USING THIS ANNUAL REPORT

This annual report consists of the following financial statements: the statement of net asset, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements provide information about the activities of the District as a whole and present an overview of the District's finances.

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The analysis of financial data allows an entity to determine how successful they were at meeting their financial objectives for the year. The District accounts for its financial activities where determination of income (increase in net assets) or loss (decrease in net assets) is necessary or useful to sound financial administration. The statements are prepared on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. The statement of net assets shows the assets the District owns and the liabilities (debts) that the District owes.

The information contained in the statement of revenues, expenses, and changes in net assets is used to determine if the District has been successful at meeting its financial objectives. Net assets and changes in net assets are summarized as follows:

NET ASSETS:

	<u>2009</u>	<u>2010</u>
Current and other assets	\$459,316	\$504,121
Capital assets	<u>154,424</u>	<u>107,907</u>
Total Assets	<u>\$613,740</u>	<u>\$612,028</u>
Summary of net assets-		
Invested in capital assets	\$154,424	\$107,907
Unrestricted	<u>459,316</u>	<u>504,121</u>
Total Net Assets	<u>\$613,740</u>	<u>\$612,028</u>

CHANGES IN NET ASSETS:

	<u>2009</u>	<u>2010</u>
Operating revenues	\$240,544	\$270,612
Operating expenses	<u>235,036</u>	<u>288,456</u>
Operating Income/(Loss)	<u>5,508</u>	<u>(17,844)</u>
Nonoperating revenues	<u>34,807</u>	<u>16,131</u>
Changes in net assets	40,315	(1,713)

Net Assets-

Beginning	<u>573,425</u>	<u>613,740</u>
Ending	<u>\$613,740</u>	<u>\$612,027</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the year, the District received State Emergency Communication Board grants of \$106,161.74. The District received revenues totaling \$164,450.55 for emergency telephone services charges and shared wireless charges. The District's operating expenses totaled \$288,455.55 resulting in an operating decrease of \$17,843.26 for the year.

THE DISTRICT'S NET ASSETS

The District continues to maintain a significant net worth exceeding \$612,027.89 at June 30, 2010; net assets consisted of unrestricted net assets of \$504,121.08 and net assets invested in capital assets totaling \$107,906.81.

BUDGETARY HIGHLIGHTS

Actual revenues of \$270,612.29 exceeded budgeted revenues by \$108,612.29. This increase was primary the result of additional revenues from the Emergency telephone service charges.

Actual expenses for the year were under budget by \$30,464.45. Travel expenses were under budget by \$500. Addressing/mapping expenses was under by \$10,000. Maintenance and repairs of equipment was under by \$3,426.68. Licenses and fees were under by \$100. Several other line items were under by insignificant amounts.

CAPITAL ASSETS

The accumulated depreciation and amortization totaled \$46,517.60. No capital equipment was purchased during this fiscal year.

ECONOMIC FACTORS AND PLANNING FOR THE FUTURE NEEDS

The Board of Directors is seeking equipment to produce hard copy mapping for the district. The Board continues the steps necessary to increase rates in order to fund additional costs of dispatching.

The Board realizes the need for future equipment replacement and is implementing saving methods for the future monetary costs of this equipment.

The Board will continue to apply for the Emergency Communications Board Rural Dispatching Grants.

Don Hutcheson
Executive Director

BEAN, RHOTON & KELLEY, PLLC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grundy County 911 Emergency
Communications District
Altamont, Tennessee

We have audited the accompanying financial statements of the business-type activities of Grundy County 911 Emergency Communications District, a component unit of Grundy County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Grundy County 911 Emergency Communications District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2010, on our consideration of the Grundy County 911 Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the managements' discussion and analysis on pages i through ii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grundy County 911 Emergency Communications District's basic financial statements as a whole. The introductory section and schedules listed in the table of contents are presented for additional analysis and are not a required part of

the basic financial statements. The schedules listed in the table of contents were subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "Bean, Rhoton & Kelley". The signature is fluid and cursive, with the last name "Kelley" being more prominent.

Bean, Rhoton & Kelley, PLLC
October 11, 2010

**Grundy County 911 Emergency
Communications District
Statement of Net Assets
June 30, 2010**

ASSETS

Current assets:

Cash and cash equivalents	\$ 286,934.23
Certificates of deposit	202,635.89
Account receivable	10,692.00
Accrued interest	888.96
Prepaid expenses	<u>2,970.00</u>
Total current assets	<u>504,121.08</u>

Noncurrent assets:

Capital assets:

Equipment, net accumulated depreciation	40,397.26
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Other assets:

Mapping, net accumulated amortization	<u>67,509.55</u>
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Total noncurrent assets	<u>107,906.81</u>
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Total assets	<u><u>\$ 612,027.89</u></u>
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NET ASSETS

Invested in capital assets	\$ 107,906.81
Unrestricted	<u>504,121.08</u>
Total net assets	<u><u>\$ 612,027.89</u></u>

Grundy County 911 Emergency
Communications District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

OPERATING REVENUES

Emergency telephone service charge	\$ 128,027.83
Tennessee Emergency Communications Board - shared wireless charges	36,225.32
Tennessee Emergency Communications Board - operational funding	106,161.74
Other operating revenue	197.40
Total operating revenues	<u>270,612.29</u>

OPERATING EXPENSES

Amortization	16,308.34
Depreciation	30,209.26
Other supplies and materials	1,384.50
Telephone charges	1,157.21
Premiums on surety bonds	336.00
Accounting services	2,500.00
Professional fees	7,100.00
Insurance - equipment	409.50
Dues and memberships	122.00
Training expenses	1,470.00
Repairs and maintenance	1,573.32
Meeting notices	144.78
Contracted services - Ben Lomand	12,770.95
Responder & dispatcher	204,373.02
Maintenance agreements	8,566.67
Postage	30.00
Total operating expenses	<u>288,455.55</u>
Operating income	<u>(17,843.26)</u>

NONOPERATING REVENUES

Interest revenue	6,131.22
Tennessee Emergency Communications Board grants and reimbursements	10,000.00
Total nonoperating revenue	<u>16,131.22</u>

Change in net assets	(1,712.04)
Total net assets - beginning	613,739.93
Total net assets - ending	<u>\$ 612,027.89</u>

**Grundy County 911 Emergency
Communications District
Statement of Cash Flows
Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 292,732.89
Responders & dispatchers	(204,373.02)
Telephone charges	(12,770.95)
Other receipts (payments)	<u>(24,399.91)</u>
Net cash provided by operating activities	<u>51,189.01</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants / reimbursements from TECB	<u>10,000.00</u>
Net cash provided by capital and related financing activities	<u>10,000.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	6,401.15
Invested in long term cash	<u>(3,842.40)</u>
Net cash provided by investing activities	<u>2,558.75</u>
Net increase in cash and cash equivalents	<u>63,747.76</u>
Balances - beginning of the year	<u>223,186.47</u>
Balances - end of the year	<u><u>\$ 286,934.23</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (17,843.26)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	30,209.26
Amortization expense	16,308.34
Change in assets and liabilities:	
Receivables, net	22,318.00
Prepaid expenses	196.67
Net cash provided by operating activities	<u><u>\$ 51,189.01</u></u>

Notes to financial statements are an integral part of the financial statements.

**Grundy County 911 Emergency
Communications District
Notes to Financial Statements
June 30, 2010**

1. Summary of Significant Accounting Policies -

Business Activities

The Grundy County 911 Emergency Communications District provides funds & support to procure, lease and maintain necessary equipment and services related to fielding emergency phone calls in Grundy County, Tennessee.

The District is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts. The District is defined as a component unit of the local government of Grundy County, Tennessee under the criteria of Government Accounting Standards Board. The Grundy County Commission appoints the Board of Directors. The Grundy County Commission may appropriate funds to the District for its operation and maintenance. No funds have been appropriated by the Grundy County Commission. The District must obtain permission from the Grundy County Commission prior to issuing long-term debt.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses. Actual results could vary from the estimates that were used.

The District's reports are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded as such when earned, and expenses are reported when incurred. The District applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash Deposits

The District is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- (1) Bonds, notes, treasury bills or similar types of indebtedness to the United States.
- (2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- (3) Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.
- (4) Repurchase agreements which involve obligations of the United States or its agencies provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- (5) Money market funds invested in any of the aforementioned securities.

The District's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name. The carrying amount of total cash deposits for the year ended June 30, 2010, was \$489,570.12. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$489,570.12.

**Grundy County 911 Emergency
Communications District
Notes to Financial Statements (continued)
June 30, 2010**

1. Summary of Significant Accounting Policies – (continued)

Utility Plant

Equipment and property additions are recorded at cost. Depreciated is calculated using the straight-line method over the estimated useful life. The District estimates the useful life of its equipment to be 7 years as well as 5 years for general office equipment.

Mapping Costs

This intangible asset represents amounts paid for mapping the area and preparing a database for information purposes. These costs are being amortized over a 10 year period.

Amortization expense for the year ended June 30, 2010 was \$16,308.34.

Cash Flow

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the District. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary control is exercised at the line-item level. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

2. Utility Plant -

A summary of changes in the utility plant is as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Equipment	<u>\$ 210,475.28</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 210,475.28</u>
Less: Accumulated Depreciation	<u>(139,868.76)</u>	<u>(30,209.26)</u>	<u>0.00</u>	<u>(170,078.02)</u>
Total	<u>\$ 70,606.52</u>	<u>\$ (30,209.26)</u>	<u>\$ 0.00</u>	<u>\$ 40,397.26</u>

**Grundy County 911 Emergency
Communications District
Notes to Financial Statements (continued)
June 30, 2010**

3. Cash & Cash Equivalents -
At June 30, 2010, total cash was \$489,570.12 of which \$202,635.89 is held in certificates of deposit with maturities of more than three months, leaving \$286,934.23 considered as cash and cash equivalents.
4. Budgeting Procedures -
The official and amended budget for June 30, 2010, was prepared for adoption for the proprietary fund by July 2, 2009.
5. Compensated Absences -
At June 30, 2010, the District did not have any employees. The District has deferred establishing policies for vacation and/or sick pay until such time as it has full time employees. As a result, no liability is recorded in the financial statements.
6. Intergovernmental Cooperation -
The District has agreed to participate in an intergovernmental cooperation that includes Bledsoe, Grundy, Sequatchie, and Van Buren counties in Tennessee. The cooperation was formed for the sole purpose of assisting the counties involved in the addressing, mapping, and database development needed for the implementation of a dispatch center. The cooperation does not obligate any district to any expenditure without express, written, approval from the applicable county. The cooperation's board of directors is composed of three individuals from each district's board of directors.
7. Emergency Communications Agreement –
On July 1, 2004, the District entered into an Emergency Communications Agreement with the City of Monteagle pursuant to Tennessee Code Annotated Section 5-11-113. The agreement was renewed in 2008 for a period of four years expiring on June 30, 2012.

The agreement provides for the City of Monteagle to supply trained and certified dispatchers as required under State Law and Emergency Communications Board Standards to handle dispatching calls. The City agrees to adequately staff and operate the 911 system twenty-four hours a day, seven days per week. The agreement specified that the District shall cover all cost the City incurs and other payments are discretionary to the District's Board of Directors.

The City agrees to name the District and its designees as an additional named insurer on City property and liability insurance policies, to cover any loss, damage or destruction of the PSAP equipment or other property of the District that may result from any cause or peril, or provide an acceptable equivalent guarantee, provided the District reimburse the City any cost relating to premiums, or portions of premiums, that relate to District property.

Payments under this agreement for the year ended June 30, 2010, totaled \$204,373.02.

8. Grants and Reimbursements -
The District received a GIS mapping grant totaling \$10,000.00 during the year from the Tennessee Emergency Communications Board.

Other Supplemental Information

**Grundy County 911 Emergency
Communications District
June 30, 2010**

Schedule of Public Safety Answering Points

For the year ended June 30, 2010, the District had one public safety answering point.

Location 1:
Mountain Central
173 College Street
Monteagle, TN 37356

The public safety answering point uses Motorola/TCI equipment.

Chairman of the Emergency Communication District:

Don Hutchenson
P. O. Box 327
Coalmont, Tennessee 37313

Phone: 1-931-592-8581
Fax: 1-931-592-2260

See Accompanying Accountants' Report

Grundy County 911 Emergency
Communications District
Schedule of Revenues, Expenses, and Changes in Fund Balance-
Budget and Actual
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Operating Revenues				
Service charges	\$ 125,000.00	\$ 125,000.00	\$ 234,189.57	\$ 109,189.57
Shared wireless charges	37,000.00	37,000.00	36,225.32	(774.68)
Miscellaneous income	0.00	0.00	197.40	197.40
Total Operating Revenues	<u>162,000.00</u>	<u>162,000.00</u>	<u>270,612.29</u>	<u>108,612.29</u>
Expenses				
Depreciation and amortization	23,200.00	58,200.00	46,517.60	11,682.40
Advertising	400.00	400.00	144.78	255.22
Addressing/mapping expense	10,000.00	10,000.00	0.00	10,000.00
Repairs and maintenance	5,000.00	5,000.00	1,573.32	3,426.68
Office supplies	600.00	600.00	0.00	600.00
Training expenses	1,000.00	1,470.00	1,470.00	0.00
Telephone services	14,000.00	14,000.00	13,928.16	71.84
Premiums on surety bonds	400.00	400.00	336.00	64.00
Maintenance agreements	9,500.00	9,500.00	8,566.67	933.33
Accounting services	2,500.00	2,500.00	2,500.00	0.00
Professional services	8,000.00	8,000.00	7,100.00	900.00
Insurance - buildings and contents	500.00	500.00	0.00	500.00
Insurance - equipment	500.00	500.00	409.50	90.50
Dues and memberships	150.00	150.00	122.00	28.00
Dispatchers services	171,100.00	206,500.00	204,373.02	2,126.98
Other supplies and materials	500.00	500.00	1,384.50	(884.50)
Travel	500.00	500.00	0.00	500.00
Postage	100.00	100.00	30.00	70.00
Licenses & fees	100.00	100.00	0.00	100.00
Total Expenses	<u>248,050.00</u>	<u>318,920.00</u>	<u>288,455.55</u>	<u>30,464.45</u>
Operating Income	<u>(86,050.00)</u>	<u>(156,920.00)</u>	<u>(17,843.26)</u>	<u>139,076.74</u>
Non-Operating Revenues				
Interest income	4,000.00	4,000.00	6,131.22	2,131.22
Grants and reimbursements	82,215.00	82,215.00	10,000.00	(72,215.00)
Total Non-Operating Revenues	<u>86,215.00</u>	<u>86,215.00</u>	<u>16,131.22</u>	<u>(70,083.78)</u>
	165.00	(70,705.00)	(1,712.04)	68,992.96
Total net assets-beginning	<u>613,739.93</u>	<u>613,739.93</u>	<u>613,739.93</u>	<u>0.00</u>
Total net assets-ending	<u>\$ 613,904.93</u>	<u>\$ 543,034.93</u>	<u>\$ 612,027.89</u>	<u>\$ 68,992.96</u>

See Accompanying Accountants' Report.

**Grundy County 911 Emergency
Communication District
Other Supplemental Information
For the Year Ended June 30, 2010**

Schedule of Expenditures of Federal Awards and State Financial Assistance

<u>Federal Grantor/ Pass - Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
Tennessee Emergency Communication Board		GIS Mapping	<u>\$ 0.00</u>	<u>\$ 10,000.00</u>	<u>\$ 0.00</u>	<u>\$ 10,000.00</u>
Total State Awards			<u>\$ 0.00</u>	<u>\$ 10,000.00</u>	<u>\$ 0.00</u>	<u>\$ 10,000.00</u>

Basis of Presentation:

Note 1: The GIS Mapping grant is a cost recovery program for expenses relating to the cost of dispatchers and mapping.

BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Grundy County 911 Emergency
Communications District
Altamont, Tennessee

We have audited the financial statements of the business-type activities of the Grundy County 911 Emergency Communications District, a component unit of Grundy County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the Grundy County 911 Emergency Communications District's basic financial statements and have issued our report thereon dated October 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (09-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grundy County 911 Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses (09-2, 09-4 and 10-1).

The District's responses to the findings identified in our audit are described below each finding. We did not audit the

District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, the State of Tennessee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bean, Rhoton & Kelley". The signature is stylized with a large, looped "B" and a long, sweeping underline.

Bean, Rhoton & Kelley, PLLC
October 11, 2010

**Grundy County Emergency Communications District
Schedule of Findings and Responses
June 30, 2010**

I. Summary of Auditors' Results

- A. The June 30, 2010 Auditors' Report on the Financial Statements was unqualified.
- B. Significant deficiencies in internal control were disclosed by the audit and are discussed below in the Schedule of Findings and Responses in finding 09-1.
- C. Reportable conditions in compliance were disclosed by the audit and are discussed below in the Schedule of Findings and Responses in findings 09-2, 09-4 and 10-1

II. Findings Related to the Financial Statements which are required to be reported in Accordance with Government Auditing Standards

(09-1) Receipts

During our review, we found that receipts had not been written during the year.

Recommendation:

Although the District's monetary collections are almost entirely made up of direct deposits, to ensure that all monies are accounted for and deposited into the bank, receipts should be written.

District's Comment:

Most money collected by the District is in the form of direct deposit. Due to lack of monies directly received and administrative resources available, the District does not view this condition as a high priority. If the situation changes, the District will begin writing receipts.

(09-2) Budget

We noted that actual expenditures exceeded the amount appropriated in the budget.

Recommendation:

All expenditures should be authorized either in the original budget or an amendment to that budget or in a supplemental appropriation.

District's Comment:

The budget will be monitored more closely in the future.

(09-3) 1099's

It was noted that 1099's were not being issued to all required service providers. – This issue no longer exists.

(09-4) Bank accounts

In our review of financial institution accounts, it was noted that at least one unauthorized signer was listed on a financial account.

Recommendation:

Financial institution accounts should be reviewed annually for correct signatures on file. Only current members of the Board or current employees should be listed on financial accounts as signers.

District's Comment:

We will correct this problem.

(10-1) Dual signatures

In our review of disbursements, it was noted that dual signatures are not being used on all checks.

Recommendation:

The use of dual signatures for check writing is recommended in the *Internal Control and Compliance Manual for Tennessee Municipalities*. Dual signatures ensure a review of disbursements and additional examination of invoices about to be paid.

District's Comment:

We will correct this problem.